



INDIANA DEPARTMENT OF TRANSPORTATION

Driving Indiana's Economic Growth

Memorandum

November 19, 2008

CONSTRUCTION MEMORANDUM 08-14

TO: District Deputy Commissioners
District Construction Engineers
District Testing Engineers
District Area Engineers
Project Engineers/Supervisors

FROM: Mark A. Miller, Director *Mark A. Miller*
Division of Construction Management

SUBJECT: Directed Acceleration Costs – Payment of Markups on Overtime

Some projects are delayed as a result of conditions beyond the control of the Contractor. In some of these cases portions of the remaining work are directed to be accelerated by the Department to recover some or all of the lost time. Directed acceleration will only be used on rare occasions when instructions are provided by management. The Contractor will not be compensated to accelerate when the delays are caused by circumstances under its control.

Before deciding to accelerate a project it is necessary to determine how much delay occurred that is beyond the Contractor's control. This will yield the amount of time needed to be recovered and should be based on an approved project schedule. At times the delay is of enough magnitude that acceleration is not practical. Although there are many ways to accelerate work, a commonly used method is to provide additional labor by increasing overtime hours. The purpose of this memo is to clarify the application of markups on premium overtime when the Contractor is directed to accelerate.

Typically, only overtime which accelerates the critical items of work on the project should be considered. When overtime is used for acceleration it is then necessary to establish the as-bid baseline work week in hours for the work activity(s) that will be accelerated.

The permission and appropriateness of markups on labor overtime is a frequently asked question during discussions of acceleration costs. Additional costs may be incurred by the Contractor if the accelerated work schedule requires increased time for the project superintendent. For example, changing from a 50-hour work week to a 60-hour work week may require the superintendent to spend another 10 hours on the project at a premium rate. Also, acceleration in the form of overtime may have unintended consequences such as productivity loss due to labor fatigue and inefficiencies in planning or

equipment/material delivery. Since these consequences are very difficult to quantify, the use of a markup for this purpose is acceptable. When a Contractor demonstrates that additional costs or productivity losses will be incurred, a 20% markup on the premium on additional labor overtime is recommended.

As indicated above, the use of significant overtime for extended durations on labor intensive work may become counterproductive. It is difficult to provide specific guidelines on the effects on productivity because of the numerous variables involved but please be advised that at some point another method of acceleration may be more effective than overtime. Other means of accelerating work are not addressed in this memo.

Please be reminded that payment should be made using the pay item 105-09357 Cost Adjustment for Acceleration, unit = dollars.

MAM:DAK:JJN